

Table 3-1.

## Farm business debt, selected years

	<i>Farm debt outstanding, December 31</i>											
	1950	1960	1970	1980	1985	1990	1991	1992	1993	1994	1995	1996
<b>Real estate debt:</b>	<i>\$ Billion</i>											
Farm Credit System	0.8	2.2	6.4	33.2	42.2	26.0	25.3	25.4	24.9	24.6	24.9	25.7
Life insurance companies	1.1	2.7	5.1	12.0	11.3	9.7	9.5	8.8	9.0	9.0	9.1	9.5
Banks	0.8	1.4	3.3	7.8	10.7	16.3	17.4	18.8	19.6	21.1	22.3	23.3
Farm Service Agency	0.2	0.6	2.2	7.4	9.8	7.6	7.0	6.4	5.8	5.5	5.1	4.7
Individuals and others	2.1	4.5	10.5	27.8	25.8	15.2	15.6	16.1	16.7	17.5	18.0	18.5
Total	5.2	11.3	27.5	89.7	100.1	74.79	74.9	75.4	76.0	77.7	79.3	81.7
<b>Non-real-estate debt:</b>												
Banks	2.4	4.7	10.5	30.0	33.7	31.3	32.9	32.9	34.9	36.7	37.7	38.3
Farm Credit System	0.5	1.5	5.3	19.8	14.0	9.8	10.2	10.3	10.5	11.2	12.5	14.0
Farm Service Agency	0.3	0.4	0.7	10.0	14.7	9.4	8.2	7.1	6.2	6.0	5.1	4.6
Individuals and others	2.5	4.5	4.8	17.4	15.1	12.7	13.0	13.2	14.2	15.2	16.2	17.4
Total	5.7	11.1	21.3	77.1	77.5	63.2	64.3	63.6	65.9	69.1	71.5	74.4
Total, all	10.9	22.4	48.8	166.8	177.6	138.0	139.2	139.1	141.9	146.8	150.8	156.1

Source: USDA, Economic Research Service, Resource Economics Division.

## ■ The Balance Sheet

Farm business asset values are estimated to have totaled \$1,088.8 billion on December 31, 1997, an increase of 5 percent over the preceding year. Farm business debt rose 6 percent during 1997, totaling \$165.4 billion at year's end. As a result, farm business equity is estimated to have risen 5.2 percent.

The debt-to-asset ratio for 1997 (expressed as a percentage) increased from 15.1 to 15.2. This ratio is substantially below the peak of 24 percent reached in 1985.

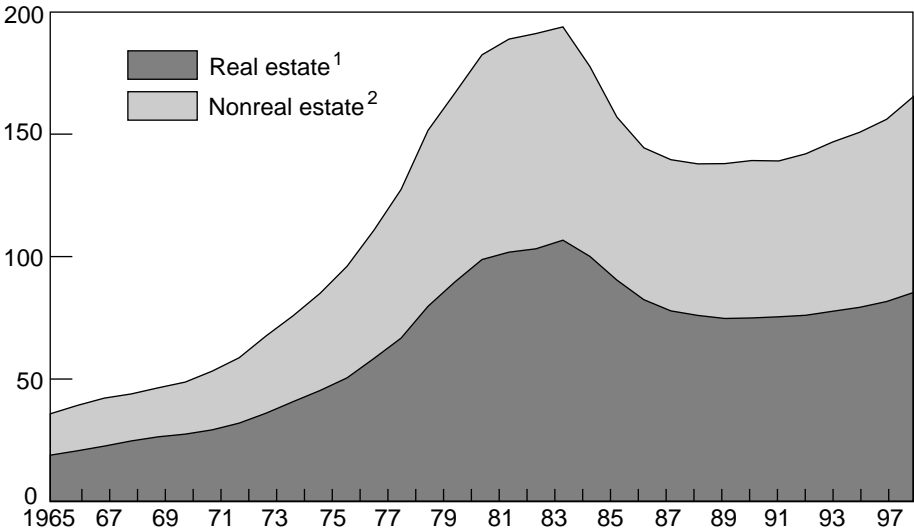
Real estate assets accounted for 78 percent of the value of farm business assets at the end of 1997. Real estate assets are expected to have increased 6 percent during the year.

Non-real-estate assets are estimated to have increased 2 percent during 1997. The value of machinery and motor vehicles and for crops stored decreased from 1996 to 1997, whereas, the value of purchased inputs, financial assets, and livestock and poultry increased during this period.

Figure 3-1.

Farm business debt

Billion dollars



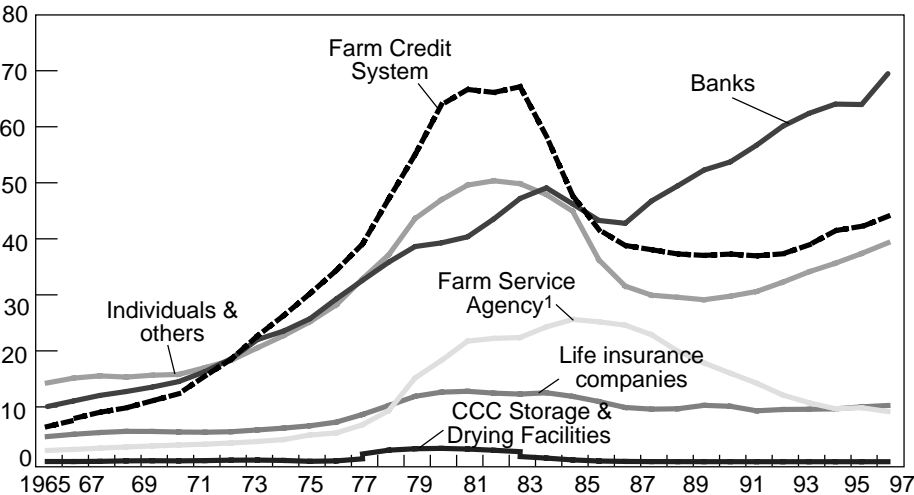
<sup>1</sup>Debt secured by farm real estate. <sup>2</sup>Debt for operating purposes.

Source: USDA, Economic Research Service, Resource Economics Division.

Figure 3-2.

Farm business debt by lender

Billion dollars



<sup>1</sup> Includes the former Farmers Home Administration's loans.

Individuals and others include Commodity Credit Corporation real estate loans.

Source: USDA, Economic Research Service, Resource Economics Division.

Farm business real estate debt increased 4.5 percent in 1997, standing at \$85.4 billion at the end of the year. Non-real-estate debt rose 7.6 percent to \$80.0 billion. On December 31, 1997, commercial banks held 40 percent of farm business debt, and the Farm Credit System held 26 percent.

Table 3-2.

Farm business assets, debt, and equity <sup>1</sup>					
<i>Item</i>	<i>1960</i>	<i>1970</i>	<i>1980</i>	<i>1990</i>	<i>1997</i>
	<i>Billion dollars</i>				
Assets	171.0	273.0	965.9	841.5	1,088.8
Real estate	123.3	202.4	782.8	620.0	849.2
Non-real-estate 2/	47.7	70.6	183.0	221.5	239.6
Debt	22.4	48.8	166.8	138.0	165.4
Real estate 3/	11.3	27.5	89.7	74.7	85.4
Non-real-estate 4/	11.1	21.2	77.1	63.2	80.1
Equity (assets minus debt)	148.6	224.3	799.0	703.5	923.4

<sup>1</sup> As of December 31. 2/ Crop inventory value is value of non-Commodity Credit Corporation (CCC) crops held on farms plus value above loan rate for crops held under CCC. 3/ Includes CCC storage and drying facilities loans. 4/ Excludes value of CCC crop loans.

Source: USDA, Economic Research Service, Resource Economics Division.

## ■ Net Value-Added, Net Farm Income, and Net Cash Income

Net value-added and net farm income both declined by \$3.5 billion in 1997, but each measure remained at a level surpassed only by the record values attained in 1996. Both these measures of farm income had risen substantially from 1995 to 1996. As a consequence, even though net value-added fell 3.7 percent in 1997, it was still \$17.9 billion greater than for 1995. **Net value-added** represents the total value of the farm sector's output of goods and services, less payments to other (non-farm) sectors of the economy, and is production agriculture's addition to national output.

The value of the sector's production (final output) increased by \$2.3 billion in 1997. This increase, however, was exceeded by the \$5.7 billion expansion in out-of-pocket costs (intermediate consumption outlays). The result was \$3.5 billion less in net value-added to be distributed among the providers of resources to the farm sector in 1997. Hired workers and lenders received 3.9 percent and 3.5 percent more for their contributions to 1997 farm production than in 1996. By contrast, the earnings of non-operator landlords were down 7.4 percent. The decline in earnings to landlords reflected lower returns to holders of share-rent contracts, which, in turn, can be traced directly to the \$3.1 billion decline in the value of crop production. Most share-rent arrangements involve crops, and while the harvest for many major crops remained near or even exceeded the record levels of 1996, prices received in selling commodities were significantly lower than in 1996.